

Parent Company Accounts
for Business By Technology
Group Ltd Co No 03030275
Company Registration No. 11362878 (England and Wales)

HARROW TOPCO LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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HARROW TOPCO LIMITED

COMPANY INFORMATION

Directors	K Coveney J Huttunen P Macdonald J Stephens A S Taylor	(Appointed 12 August 2020)
Company number	11362878	
Registered office	1-2 Castle Lane London SW1E 6DR	
Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG	

HARROW TOPCO LIMITED

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HARROW TOPCO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report for the year ended 31 March 2020.

The Group accelerated its acquisition activity in the year to 31 March 2020 and acquired the trade and assets of Workflow Imaging Systems Limited (WIS) in May 2019 and the shares of Business by Technology Limited (BBT) in Nov 2019. These acquisitions have extended the Group's MIF (Machines in Field) and customer base and firmly established the business as a leading independent provider of Managed Print Services (MPS) in the U.K.

In the financial year 2021, the Group continues to assess suitable acquisition opportunities despite the challenging macro-economic climate as well as making significant improvements to its operational capability through the wholesale upgrade of its ERP platform. This will enable the Group to deploy more advanced technology, enhance its service delivery to its customers, and provide a platform to further scale the business in the future.

Review of Business

The main activity of the Group is that of the supply and maintenance of multi-functional devices, telephony systems and software thereon.

The year under review was one of continued growth with the acquisition of the trade and assets of WIS and the entire shareholding of the BBT group, and an increase in turnover to £53.5m from £32.7m in 2019.

The Group's net liabilities for the year ended 31 March 2020 was £10.6m (2019: net assets: £12.7m) and it generated EBITDA of £13.9m (2019: £9.0m).

COVID-19 has presented challenges to the Group since the outbreak of the pandemic in the Spring of 2020. The Group benefitted from having fully integrated all acquisitions by the end of the financial year and was in a strong financial position at the time of the nationwide lockdown in late March. The Group continued to trade through the pandemic with below normal levels of revenue, but well ahead of the initial expectations at the start of the crisis. The Directors put particular focus on cash generation and liquidity enabling measures and also took the opportunity to streamline costs and processes in a number of areas. It has also continued to invest in the business and has strengthened its teams with key appointments in core areas of Sales, Service and Finance. The directors are confident that the company has adequate resources to continue operating normally for the foreseeable future and meet all going concern requirements.

Carl Harring stepped down as a director on July 24th and the Board is grateful to him for his valuable contribution to the Group's rapid growth since the investment by HIG Europe Capital Partners LLP in August 2018. The Group welcomes Adam Taylor, HIG Europe Capital Partners LLP, to the Board.

Principal Risks and Uncertainties

The principle risks and uncertainties facing the Group relate to an unexpected decrease in turnover or a disruption in the supply chain. Risks are posed by COVID-19 and Brexit-related uncertainties which the Group's Board minimises through continuous monitoring and maintenance of strong business relationships with its customers and key suppliers.

HARROW TOPCO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Key Performance Indicators

For comparative purposes, the table below illustrates the performance of Harrow Topco in 2020 versus the equivalent 12 months for the combined Group in 2019. The uplift in EBITDA reflects the benefit of in-year acquisitions, the full-year effect of businesses acquired in 2019, and steady growth within the existing customer base.

Whilst the directors review and measure all aspects of the business, including customer retention, service call response times, MIF per engineer and first-time fix rates, the Directors consider EBITDA and EBITDA % of revenue as the key indicator of success of the business.

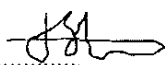
The Board has confidence in the company's ability to identify the right acquisition targets as well as acquire and integrate these effectively. EBITDA has increased substantially in 2020 versus the prior year reflecting the full year benefits of the acquisitions, as well as the cost synergies realised following the integration of these businesses

	2020	2019	Change
	£'000	£'000	£'000
Turnover	53,548	32,741	20,807
Gross Profit	31,711	19,146	12,565
Gross Profit Margin	59%	58%	1%
EBITDA before exceptional costs	13,937	9,042	4,895
EBITDA as % of turnover	26%	28%	(2%)

Going concern

Details of matters relevant to the director's assessment of the application of the going concern basis are given in note 1.3 to the financial statements.

On behalf of the board



J Stephens

Director 30/11/2020

HARROW TOPCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

Principal activities

The principal activity of the company is that of an investment holding company. The principal activity of the group is that of the supply and maintenance of multi-functional devices and telephony systems, and software thereon and the wholesale of office equipment.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

K Coveney

C Harring

(Resigned 24 July 2020)

J Huttunen

P Macdonald

J Stephens

A S Taylor

(Appointed 12 August 2020)

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

In accordance with the company's articles, a resolution proposing that Grant Thornton UK LLP be reappointed as auditor of the group will be put at a General Meeting.

HARROW TOPCO LIMITED

DIRECTORS' REPORT (CONTINUED)

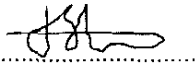
FOR THE YEAR ENDED 31 MARCH 2020

Statement of disclosure to auditor

The directors confirm that:

So far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



J Stephens

Director

30/11/2020

Date:

HARROW TOPCO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HARROW TOPCO LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HARROW TOPCO LIMITED

Opinion

We have audited the financial statements of Harrow Topco Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020, which comprise the Group profit and loss account, the Group statement of comprehensive income, the Group balance sheet, the Company balance sheet, the Group statement of changes in equity, the Company statement of changes in equity, the Group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events

HARROW TOPCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HARROW TOPCO LIMITED

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

HARROW TOPCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HARROW TOPCO LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Marc Summers BSc(Hons) FCA (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP

30/11/2020
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Chartered Accountants
Statutory Auditor

30 Finsbury Square
London
EC2A 1AG

HARROW TOPCO LIMITED**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020**

		Year ended 31 March 2020 £	Period ended 31 March 2019 £
	Notes		
Turnover	3	53,547,863	24,160,274
Cost of sales		(21,837,275)	(9,998,057)
Gross profit		31,710,588	14,162,217
Distribution costs		(621,989)	(257,713)
Administrative expenses		(27,334,336)	(15,346,576)
Exceptional items	4	(5,986,425)	(630,069)
Operating loss	5	(2,232,162)	(2,072,141)
Interest receivable and similar income	9	2,463	-
Interest payable and similar expenses	10	(8,287,612)	(7,214,066)
Loss before taxation		(10,517,311)	(9,286,207)
Tax on loss	11	(522,886)	(24,222)
Loss for the financial year	27	(11,040,197)	(9,310,429)
Loss for the financial year is attributable to:			
- Owners of the parent company		(13,001,217)	(9,310,429)
- Non-controlling interests		1,961,020	-
		(11,040,197)	(9,310,429)

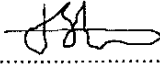
HARROW TOPCO LIMITED**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Year ended 31 March 2020 £	Period ended 31 March 2019 £
Loss for the year	(11,040,197)	(9,310,429)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(11,040,197)</u>	<u>(9,310,429)</u>
Total comprehensive income for the year is attributable to:		
- Owners of the parent company	(13,001,217)	(9,310,429)
- Non-controlling interests	<u>1,961,020</u>	<u>-</u>
	<u>(11,040,197)</u>	<u>(9,310,429)</u>

HARROW TOPCO LIMITED**GROUP BALANCE SHEET****AS AT 31 MARCH 2020**

	Notes	2020 £	£	2019 £	£
Fixed assets					
Goodwill	12	108,449,386		80,713,760	
Tangible assets	13	1,001,104		549,606	
		<u>109,450,490</u>		<u>81,263,366</u>	
Current assets					
Stocks	16	2,000,013		1,218,216	
Debtors	17	11,814,027		7,935,357	
Cash at bank and in hand		5,557,595		4,023,271	
		<u>19,371,635</u>		<u>13,176,844</u>	
Creditors: amounts falling due within one year	18	(16,120,383)		(9,924,078)	
Net current assets		<u>3,251,252</u>		<u>3,252,766</u>	
Total assets less current liabilities		<u>112,701,742</u>		<u>84,516,132</u>	
Creditors: amounts falling due after more than one year	19	(123,271,455)		(71,772,675)	
Provisions for liabilities	21	(56,542)		(494)	
Net (liabilities)/assets		<u>(10,626,255)</u>		<u>12,742,963</u>	
Capital and reserves					
Called up share capital	24	14,500		14,500	
Share premium account	25	1,010,500		1,010,500	
Profit and loss reserves	27	(21,552,255)		(7,183,037)	
Equity attributable to owners of the parent company		<u>(20,527,255)</u>		<u>(6,158,037)</u>	
Non-controlling interests		<u>9,901,000</u>		<u>18,901,000</u>	
		<u>(10,626,255)</u>		<u>12,742,963</u>	

The financial statements were approved by the board of directors and authorised for issue on
and are signed on its behalf by:

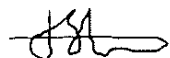
 30/11/2020
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J Stephens
Director

HARROW TOPCO LIMITED**COMPANY BALANCE SHEET****AS AT 31 MARCH 2020**

	Notes	2020 £	£	2019 £	£
Fixed assets					
Investments	14		759,392		2,127,392
Current assets					
Debtors	17	7,469,947		9,163,101	
Creditors: amounts falling due within one year	18	(1,128,140)		-	
Net current assets			6,341,807		9,163,101
Total assets less current liabilities			7,101,199		11,290,493
Creditors: amounts falling due after more than one year	19		(7,769,191)		(8,764,011)
Net (liabilities)/assets			(667,992)		2,526,482
Capital and reserves					
Called up share capital	24		14,500		14,500
Share premium account	25		1,010,500		1,010,500
Profit and loss reserves	27		(1,692,992)		1,501,482
Total equity			(667,992)		2,526,482

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,826,474 (2019 - £625,909 loss).

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:



30/11/2020

J Stephens

Director

Company Registration No. 11362878

HARROW TOPCO LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
Balance at 15 May 2018	-	-	-	-	-	-
Period ended 31 March 2019:						
Loss and total comprehensive income for the period	-	-	(9,310,429)	(9,310,429)	-	(9,310,429)
Issue of share capital	14,500	1,010,500	-	1,025,000	-	1,025,000
Credit to equity for equity settled share-based payments	-	-	2,127,391	2,127,391	-	2,127,391
Other movements	-	-	-	-	18,901,000	18,901,000
Balance at 31 March 2019	14,500	1,010,500	(7,183,038)	(6,158,038)	18,901,000	12,742,962
Year ended 31 March 2020:						
Loss and total comprehensive income for the year	-	-	(13,001,217)	(13,001,217)	1,961,020	(11,040,197)
Dividends	-	-	-	-	(1,961,020)	(1,961,020)
Credit to equity for equity settled share-based payments	-	-	(1,368,000)	(1,368,000)	-	(1,368,000)
Redemption of shares	-	-	-	-	(9,000,000)	(9,000,000)
Balance at 31 March 2020	14,500	1,010,500	(21,552,255)	(20,527,255)	9,901,000	(10,626,255)

HARROW TOPCO LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 15 May 2018		-	-	-	-
Period ended 31 March 2019:					
Loss and total comprehensive income for the period		-	-	(625,909)	(625,909)
Issue of share capital	24	14,500	1,010,500	-	1,025,000
Credit to equity for equity settled share-based payments	23	-	-	2,127,391	2,127,391
Balance at 31 March 2019		14,500	1,010,500	1,501,482	2,526,482
Year ended 31 March 2020:					
Loss and total comprehensive income for the year		-	-	(1,826,474)	(1,826,474)
Credit to equity for equity settled share-based payments	23	-	-	(1,368,000)	(1,368,000)
Balance at 31 March 2020		14,500	1,010,500	(1,692,992)	(667,992)

HARROW TOPCO LIMITED**GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from operations	32	3,455,637		5,992,674	
Interest paid		(9,282,432)		(5,911,429)	
Income taxes paid		(313,597)		(1,296,859)	
Net cash outflow from operating activities		(6,140,392)		(1,215,614)	
Investing activities					
Purchase of intangible assets	(11,421,415)		-		
Purchase of tangible fixed assets	(427,447)		(502,228)		
Proceeds on disposal of tangible fixed assets	63,638		-		
Purchase of subsidiaries	(18,825,740)		(72,988,494)		
Interest received	2,463		-		
Cash acquired with subsidiaries	770,071		6,778,981		
Overdrafts acquired with subsidiaries	-		(5,526,809)		
Net cash used in investing activities		(29,838,430)		(72,238,550)	
Financing activities					
Proceeds from issue of shares	-		804,985		
Proceeds from shares issued to minority interests	-		15,021,015		
Redemption of non controlling interest	(9,000,000)		-		
Repayment of finance leases	-		(23,895)		
Repayment of borrowings	-		(1,333,333)		
Receipt of bank loans	46,513,146		63,008,663		
Net cash generated from financing activities		37,513,146		77,477,435	
Net increase in cash and cash equivalents		1,534,324		4,023,271	
Cash and cash equivalents at beginning of year		4,023,271		-	
Cash and cash equivalents at end of year		5,557,595		4,023,271	

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company information

Harrow Topco Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 1-2 Castle Lane, London SW1E 6DR.

The group consists of Harrow Topco Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of Harrow Topco Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiary undertakings acquired during the year have been included in the group financial statements using the purchase method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of subsidiary undertakings acquired during the year for the period from their acquisition. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

1.3 Going concern

The group meets its day-to-day working capital requirements through its own cash balances and committed banking/funding facilities. In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the directors have reviewed the group's budgets and projected cash flow statements for the period through to March 2022 and in doing so considered reasonable, possible changes over the forecast period. The review considered the forecast operating cash flows generated, cashflow implications of the group's strategic plans and the forecast impact of the Covid-19 pandemic on the business.

Sensitivity analysis has been performed and currently the revised forecasts are showing a positive cash balance of £11.5m at the end of March 2022. Management consider that these sensitised forecasts have been conservatively prepared and have modelled a 13% reduction from the current levels of trading. Stress testing the assumptions and decreasing forecasted revenue by 20%, the group is expected to remain in a strong cash position with a cash balance of £8.0m at March 2022. The directors do not consider this downside to be a plausible scenario, as group revenue is recovering strongly since late summer and the directors take confidence from news of a vaccine which should help provide more confidence in the broader economy. The group negotiated an amendment to its banking covenants to reflect the challenges presented by the pandemic and it anticipates comfortably meeting these new measures for the duration of the going concern review period.

The directors reacted swiftly to the challenges presented by the pandemic and put in place initiatives to enable cash generation as well as streamline costs and processes including (but not limited to):

- Adding resources dedicated to billing and collection activity, as well as the streamlining of some processes
- Negotiating improved supplier payment terms where possible without jeopardising these important relationships
- Reducing staff numbers overall, whilst also making key appointments to strengthen capability in core areas
- Further realising post-integration cost reduction opportunities

The directors are confident that based on their current forecast view, the group has adequate resources to meet all going concern requirements, and do not consider that a material uncertainty exists over the group's ability to continue as a going concern. The directors therefore continue to prepare the financial statements on a going concern basis.

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.4 Reporting period

The comparative period represents a period of less than one year, being the period from incorporation to 31 March 2019. Comparative results are not therefore directly comparable with those of the current year.

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	20% on reducing balance
Plant and equipment	20% on reducing balance
Fixtures and fittings	20% on cost
Computers	33% on cost
Motor vehicles	25% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using a Monte Carlo model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

1.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.19 Non-controlling interests

Non-controlling interests in subsidiary undertakings are initially measured at the fair value of equity subscribed or otherwise issued. This value is adjusted to reflect dividends declared by the year end.

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Intangible assets at acquisition

In recognising intangible assets, including goodwill, on the acquisition of subsidiary undertakings, the directors have determined that no intangible assets acquired require separate recognition because they are both separable and arise from contractual or legal rights. Therefore any potential intangible assets that would otherwise meet the criteria for recognition under FRS102, but are not both separable and arising from contractual or legal rights, have been subsumed in goodwill.

Application of section 26 of FRS 102-share-based payment

The directors have determined that certain features of equity instruments issued by the company bring those instruments within the scope of the share-based payment provisions of FRS 102, and accordingly a share-based payment charge has been recognised as disclosed in note23. Judgement is also required in the selection of an appropriate model with which to value the instruments awarded.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Market rate of interest for vendor loan notes

In estimating the market rate of interest applied to the vendor loan notes the directors have taken into account rates charged by other lenders, the term of the facility and the security provided.

Useful life of goodwill

In determining the estimated useful life of goodwill the directors have considered the nature of the businesses acquired, the longevity of acquired relationships and the probability of impairment.

Recoverability of debtors

In estimating debtors' recoverability the directors have considered the nature of objective evidence concerning loss events for individually significant items. Debtors that are not individually significant are grouped on the basis of similar credit risks.

Revenue recognition

In estimating accrued and deferred income the directors have regard to the nature of the services provided and the terms of agreement with customers.

Estimated term of loans and vesting period of share awards

In estimating the amortised cost of certain loans receivable and payable, an estimate must be made of the timing of cashflows expected to be received and paid. Charges recognised for share-based payment arrangements also depend on estimates made of the vesting period for such arrangements.

HARROW TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2020****3 Turnover and other revenue**

	2020	2019
	£	£
Turnover analysed by class of business		
Equipment sales	24,501,835	12,520,358
Telephone network sales	770,943	599,237
Maintenance and service	26,286,237	9,771,200
Telephone network service	1,988,848	1,269,479
	<u>53,547,863</u>	<u>24,160,274</u>

	2020	2019
	£	£
Other significant revenue		
Interest income	<u>2,463</u>	<u>-</u>

	2020	2019
	£	£
Turnover analysed by geographical market		
UK	<u>53,547,863</u>	<u>24,160,274</u>

4 Exceptional items

	2020	2019
	£	£
Recruitment	152,050	47,500
Discontinued property	320,329	138,882
Human resources	34,222	60,750
Mergers and acquisitions	241,164	222,247
Legal fees	320,336	45,431
One-off bonus	-	51,210
Dilapidations	-	6,620
IT regarding acquisitions	20,940	24,924
Other professional fees	345,966	32,505
Restructuring costs	2,866,445	-
Refinancing costs	1,684,973	-
	<u>5,986,425</u>	<u>630,069</u>

HARROW TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2020****5 Operating loss**

	2020	2019
	£	£
Operating loss for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	262,854	18,115
(Profit)/loss on disposal of tangible fixed assets	(29,341)	16,504
Amortisation of intangible assets	9,949,801	4,859,454
Share-based payments	(1,368,000)	2,127,391
Operating lease charges	396,800	333,011
	<u> </u>	<u> </u>

6 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	145,000	110,000
	<u> </u>	<u> </u>
For other services		
Taxation compliance services	79,729	23,000
Other taxation services	61,309	-
Services relating to corporate finance transactions	503,234	-
All other non-audit services	-	51,500
	<u> </u>	<u> </u>
	<u>644,272</u>	<u>74,500</u>

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group		Company	
	2020	2019	2020	2019
	Number	Number	Number	Number
Sales	49	25	-	-
Service	144	83	-	-
Administrative	35	23	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	228	131	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

HARROW TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 MARCH 2020**7 Employees****(Continued)**

Their aggregate remuneration comprised:

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Wages and salaries	9,392,664	6,503,951	-	-
Social security costs	844,608	403,463	-	-
Pension costs	224,717	67,572	-	-
	<u>10,461,989</u>	<u>6,974,986</u>	<u>-</u>	<u>-</u>

8 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	655,587	232,980
Company pension contributions to defined contribution schemes	8,784	743
	<u>664,371</u>	<u>233,723</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2020	2019
	£	£
Remuneration for qualifying services	307,044	117,137
Company pension contributions to defined contribution schemes	548	470
	<u>307,592</u>	<u>117,607</u>

9 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	2,463	-
	<u>2,463</u>	<u>-</u>

10 Interest payable and similar expenses

	2020	2019
	£	£
Other interest on financial liabilities	8,287,612	7,214,066
	<u>8,287,612</u>	<u>7,214,066</u>

HARROW TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2020****11 Taxation**

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	250,383	152,896
Adjustments in respect of prior periods	87,041	-
Total current tax	<u>337,424</u>	<u>152,896</u>
Deferred tax		
Origination and reversal of timing differences	242,202	(128,674)
Adjustment in respect of prior periods	(56,740)	-
Total deferred tax	<u>185,462</u>	<u>(128,674)</u>
Total tax charge	<u>522,886</u>	<u>24,222</u>

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Loss before taxation	<u>(10,517,311)</u>	<u>(9,286,207)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(1,998,289)	(1,764,379)
Tax effect of expenses that are not deductible in determining taxable profit	824,864	752,367
Tax effect of income not taxable in determining taxable profit	-	(79)
Change in unrecognised deferred tax assets	69,418	-
Adjustments in respect of prior years	293,581	-
Effect of change in corporation tax rate	(31,506)	14,871
Depreciation on assets not qualifying for tax allowances	233,621	5,119
Amortisation on assets not qualifying for tax allowances	1,654,397	886,212
Losses utilised in the period	-	130,111
Share based payment charge	(259,920)	-
Under/(over) provided in prior years	(206,540)	-
Deferred tax adjustments in respect of prior years	(56,740)	-
Taxation charge	<u>522,886</u>	<u>24,222</u>

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

12 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 April 2019	85,573,215
Additions	11,421,415
Additions on acquisition of subsidiaries	26,264,011
At 31 March 2020	123,258,641
Amortisation and impairment	
At 1 April 2019	4,859,454
Amortisation charged for the year	9,949,801
At 31 March 2020	14,809,255
Carrying amount	
At 31 March 2020	108,449,386
At 31 March 2019	80,713,760

The company had no intangible fixed assets at 31 March 2020 or 31 March 2019.

13 Tangible fixed assets

Group	Total £
Cost	
At 1 April 2019	567,721
Additions	427,447
Additions on acquisition of subsidiaries	1,691,603
Disposals	(428,645)
At 31 March 2020	2,258,126
Depreciation and impairment	
At 1 April 2019	18,115
Depreciation charged in the year	262,854
Depreciation of assets of subsidiaries acquired	1,370,401
Eliminated in respect of disposals	(394,348)
At 31 March 2020	1,257,022
Carrying amount	
At 31 March 2020	1,001,104
At 31 March 2019	549,606

HARROW TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2020****13 Tangible fixed assets****(Continued)**

The company had no tangible fixed assets at 31 March 2020 or 31 March 2019.

14 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	15	-	-	759,392	2,127,392

Movements in fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 April 2019	2,127,392
Other	(1,368,000)
At 31 March 2020	759,392
Carrying amount	
At 31 March 2020	759,392
At 31 March 2019	2,127,392

Valuation includes £759,391 (2019 - £2,127,391) of deemed investment by Harrow Topco Limited in its subsidiaries arising from the valuation of share based payment arrangements in accordance with FRS102.

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

15 Subsidiaries

Details of the company's subsidiaries at 31 March 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
Harrow Midco Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	100.00	-
Harrow Debtco Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Harrow Bidco Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Corona Corporate Group Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Corona Corporate Solutions Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Corporate Information & Communication Technology Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Managed Print Services London Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Falcon Document Solutions Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Copylogic Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
J T Property Holdings Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Classic Business Equipment Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
The London Photocopying Company Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Digital Copier Systems Eastern Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Regent Document Solutions Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Business By Technology Group Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Business By Technology (Holdings) Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Eastern Business Systems Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Technocopy Solutions Holdings Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00
Technocopy Solutions Limited	1-2 Castle Lane, London SW1E 6DR	Ordinary	-	100.00

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of section 479A of the Act:

Name	Registered number
Classic Business Equipment Limited	3580061
Digital Copier Systems Eastern Limited	4160580
J T Property Holdings Limited	10967614
Regent Document Solutions Limited	2052396
The London Photocopying Company Limited	2606913
Business By Technology Group Limited	3030275
Business By Technology (Holdings) Limited	8985669
Eastern Business Systems Limited	2912024
Technocopy Solutions Holdings Limited	2777518
Technocopy Solutions Limited	6768232

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

16 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Finished goods and goods for resale	2,000,013	1,218,216	-	-

17 Debtors

	Group 2020 £	2019 £	Company 2020 £	2019 £
Amounts falling due within one year:				
Trade debtors	7,864,865	4,317,641	-	-
Corporation tax recoverable	333,661	217,078	-	-
Amounts owed by group undertakings	-	-	4,529,849	8,978,493
Other debtors	535,650	404,271	2,669,019	184,608
Prepayments and accrued income	3,000,215	2,809,167	212,594	-
	11,734,391	7,748,157	7,411,462	9,163,101
Deferred tax asset (note 21)	79,636	187,200	58,485	-
	11,814,027	7,935,357	7,469,947	9,163,101

18 Creditors: amounts falling due within one year

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Trade creditors		4,472,843	3,974,890	-	-
Amounts owed to group undertakings		-	-	915,546	-
Corporation tax payable		828,471	448,442	-	-
Other taxation and social security		2,842,891	1,886,975	-	-
Deferred income		2,065,034	-	-	-
Other creditors		2,180,040	145,818	-	-
Accruals and deferred income		3,731,104	3,467,953	212,594	-
		16,120,383	9,924,078	1,128,140	-

19 Creditors: amounts falling due after more than one year

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Deferred consideration	20	7,769,191	8,764,011	7,769,191	8,764,011
Bank loans and overdrafts	20	115,502,264	63,008,664	-	-
		123,271,455	71,772,675	7,769,191	8,764,011

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

20 Loans and overdrafts

	Group 2020 £	2019 £	Company 2020 £	2019 £
Deferred consideration	7,769,191	8,764,011	7,769,191	8,764,011
Bank loans	115,502,264	63,008,664	-	-
	<u>123,271,455</u>	<u>71,772,675</u>	<u>7,769,191</u>	<u>8,764,011</u>
Payable after one year	<u>123,271,455</u>	<u>71,772,675</u>	<u>7,769,191</u>	<u>8,764,011</u>

Bank loans are secured by charges over the group's assets.

Bank loans carry interest rates of 3.25% and 7.25% over LIBOR dependent upon the facility. Loans of £5 million are repayable by bullet repayment by August 2024. Loans totalling £112 million are repayable by bullet repayment by October 2026.

Deferred consideration is payable by 2029. Interest is accrued on the loans at a rate of 13.8% per annum.

There are further committed but undrawn facilities of £25million.

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Fixed asset timing differences	61,205	494	20,673	46,837
Tax losses	-	-	291	130,070
Short term timing differences	(4,663)	-	58,672	10,293
	<u>56,542</u>	<u>494</u>	<u>79,636</u>	<u>187,200</u>
Company	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Short term timing differences	-	-	58,485	-

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

21 Deferred taxation

(Continued)

	Group 2020 £	Company 2020 £
Movements in the year:		
Asset at 1 April 2019	(186,706)	-
Charge/(credit) to profit or loss	158,223	(58,485)
Effect of change in tax rate - profit or loss	5,389	-
Asset at 31 March 2020	(23,094)	(58,485)

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

22 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	224,717	67,572

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

23 Share-based payment transactions

Equity instruments other than share options

In 2019, the company issued 3,637 A ordinary shares, 195,015 B ordinary shares, 50,000 C ordinary shares and 1 D ordinary share to employees. The terms of issue of these shares brings them within the scope of section 26 of FRS102. The weighted average fair value of those instruments at the measurement date, being the date of issue, was as follows:

	£
A and B shares	12.60
C shares	12.54
D shares	639,689

Fair value was estimated using a Monte Carlo simulation model. This model was deemed appropriate due to the manner in which shareholders' respective entitlement to rights are determined by its articles of association.

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

23 Share-based payment transactions

(Continued)

	Group 2020 £	2019 £	Company 2020 £	2019 £
Expenses recognised in the year				
Arising from equity settled share based payment transactions	(1,368,000)	2,127,391	-	-

An equivalent credit is recognised in reserves.

The credit to profit and loss recognised in the year ended 31 March 2020 arose from a change to the group's strategic plan and hence a revision in estimate of the vesting period over which the share-based payment charge is recognised.

24 Share capital

	Group and company	
	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
754,985 A Ordinary of 1p each	7,550	7,550
195,015 B Ordinary of 1p each	1,950	1,950
50,000 C Ordinary of 10p each	5,000	5,000
1 D Ordinary of 1p each	0.01	0.01
	<u>14,500</u>	<u>14,500</u>

The A Ordinary and C Ordinary shares carry the right to attend and vote at general meetings. A ordinary shares carry 80% of the total voting rights of the Company. B and D Ordinary shares carry no rights to attend or vote at general meetings. Distributions, when declared, are shared between the various classes of share according to formulae set out in the Company's articles of association.

25 Share premium account

	Group 2020 £	2019 £	Company 2020 £	2019 £
At the beginning of the year	1,010,500	-	1,010,500	-
Issue of new shares	-	1,010,500	-	1,010,500
At the end of the year	<u>1,010,500</u>	<u>1,010,500</u>	<u>1,010,500</u>	<u>1,010,500</u>

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

26 Non-controlling interests

Group	£
At the beginning of the prior year	-
Issue of shares	18,901,000
At the end of the prior year	18,901,000
Share of profit	1,961,020
Dividends declared	(1,961,020)
Redemption of shares	(9,000,000)
At the end of the current year	9,901,000

During the year a redemption of 9 million preference shares held in Harrow Midco Limited by non-controlling interests was made at £1 per share out of capital.

27 Profit and loss reserves

	Group 2020 £	2019 £	Company 2020 £	2019 £
At the beginning of the year	(7,183,038)	-	1,501,482	-
Loss for the year	(13,001,217)	(9,310,429)	(1,826,474)	(625,909)
Share based payment transactions	(1,368,000)	2,127,391	(1,368,000)	2,127,391
At the end of the year	(21,552,255)	(7,183,038)	(1,692,992)	1,501,482

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

28 Acquisitions

On 31 October 2019 the Group acquired 100% of the issued capital of Business By Technology Group (Holdings) Limited.

	Book Value £	Adjustments £	Fair Value £
Property, plant and equipment	321,202	-	321,202
Investments	16,000	-	16,000
Inventories	720,879	-	720,879
Trade and other receivables	1,230,936	-	1,230,936
Cash and cash equivalents	770,071	-	770,071
Borrowings	(5,980,456)	-	(5,980,456)
Obligations under finance leases	(100,790)	-	(100,790)
Trade and other payables	(4,198,343)	-	(4,198,343)
Tax liabilities	(239,620)	-	(239,620)
Deferred tax	21,850	-	21,850
Total identifiable net liabilities	(7,438,271)	-	(7,438,271)
Goodwill			26,264,011
Total consideration			18,825,740
The consideration was satisfied by:			£
Cash			18,825,740
Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:			£
Turnover			829,160
Loss after tax			(213,518)

The above revenue and loss after tax is after the transfer of customer contracts to Corona Corporate Solutions Limited post acquisition and as such is not reflective of the revenue and earnings that the acquired companies have produced.

The goodwill arising on the acquisition of the business is attributable to the anticipated profitability of the distribution of the company's products in new markets and the future operating synergies from the combination.

HARROW TOPCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

29 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Within one year	460,326	393,784	-	-
Between two and five years	1,030,607	1,215,503	-	-
	<u>1,490,933</u>	<u>1,609,287</u>	<u>-</u>	<u>-</u>

30 Related party transactions

Transactions with related parties

Deferred consideration as shown below is due to a member of key management personnel on the purchase of Corona Corporate Group Limited in 2019. Interest is payable on the deferred consideration at 8% of its face value.

During the year, a redemption of shares out of capital took place in Harrow Midco Limited, a subsidiary undertaking. Members of key management personnel received £1.89 million from that redemption.

Dividends on preference shares were also declared to members of key management personnel of approximately £410,000 including accrued interest. Those amounts remained outstanding at 31 March 2020.

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2020 £	2019 £
Group		
Key management personnel	<u>8,179,241</u>	<u>8,764,011</u>
Company		
Entities over which the company has control, joint control or significant influence	915,546	-
Key management personnel	<u>7,769,191</u>	<u>8,764,011</u>

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2020 Balance £	2019 Balance £
Company		
Entities over which the company has control, joint control or significant influence	<u>7,046,277</u>	<u>9,163,101</u>

HARROW TOPCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2020****30 Related party transactions****(Continued)**

Loans made to subsidiary entities are interest-free. £8,720,015 is repayable by subsidiaries by 2028. Included in amounts due from entities over which the company has control, joint control or significant influence is £6,241,292 which represents the discounted value of that sum at market rates of interest (2019-£8,358,116). Other amounts due from entities over which the company has control, joint control or significant influence are repayable on demand.

31 Controlling party

The Company's ultimate parent undertaking is H.I.G. Europe Capital Partners II, LP, an entity incorporated in the Cayman Islands.

32 Cash generated from group operations

	2020	2019
	£	£
Loss for the year after tax	(11,040,197)	(9,310,429)
Adjustments for:		
Taxation charged	522,886	24,222
Finance costs	8,287,612	7,214,066
Investment income	(2,463)	-
(Gain)/loss on disposal of tangible fixed assets	(29,341)	16,504
Amortisation and impairment of intangible assets	9,949,801	4,859,454
Depreciation and impairment of tangible fixed assets	262,854	18,115
Amounts written off investments	16,000	-
Equity settled share based payment (credit)/expense	(1,368,000)	2,127,391
Movements in working capital:		
(Increase)/decrease in stocks	(60,919)	361,570
(Increase) in debtors	(4,625,765)	(1,132,242)
Increase in creditors	412,016	1,246,095
Increase in deferred income	1,131,153	567,928
Cash generated from operations	3,455,637	5,992,674

33 Analysis of changes in net debt - group

	1 April 2019	Cash flows	Acquisitions and disposals	Other non-cash changes	31 March 2020
	£	£	£	£	£
Cash at bank and in hand	4,023,271	1,534,324	-	-	5,557,595
Borrowings excluding overdrafts	(71,772,675)	(46,513,145)	(5,980,455)	994,820	(123,271,455)
	(67,749,404)	(44,978,821)	(5,980,455)	994,820	(117,713,860)